

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6231

BILL NUMBER: HB 1164

NOTE PREPARED: Jan 30, 2003

BILL AMENDED: Jan 30, 2003

SUBJECT: Review of Privatization Savings.

FIRST AUTHOR: Rep. Dickinson

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill provides that a contract or the solicitation for a contract to privatize any of the functions currently performed by a governmental body's employees must:

- (1) require an offeror to provide verifiable evidence that the cost of the contract will be less than the cost of having the functions performed by the governmental body's employees;
- (2) specify that the governmental body may not pay the contractor more than the cost the contractor determined the governmental body would incur to perform the functions using its own employees;
- (3) require the governmental body to provide to an offeror an estimate of the cost of having the functions performed by the governmental body's employees; and
- (4) contain a statement that the governmental body may pursue certain remedies if the contractor fails to comply with the contract.

The bill excludes from these requirements purchases from qualified nonprofit agencies for persons with severe disabilities.

The bill permits a representative of any group of the governmental body's employees to submit an offer for the group to perform the functions and requires the governmental body to award the contract to the group of employees under certain circumstances.

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Effective Date: July 1, 2003.

Explanation of State Expenditures: (Revised) This bill may increase the administrative costs of agencies that seek contracts from outside offerors for certain functions currently performed by state employees. Agencies would have the added cost of determining how much a function would cost if state employees, rather than the contracted offeror, were to perform the function.

The bill may also encourage contractors to increase bids to perform a function to mitigate the risk of under bidding and to cover any additional cost incurred by conforming to the changes in the solicitation process proposed in this bill.

Despite the potential for additional costs, the bill also has the potential to provide the state with cost savings. Upon seeing the results of the cost analysis showing what the proposal might cost the state using state employees, contractors may offer to perform the function for an amount below what they would have bid had the cost analysis not been known. State expenditures may also be reduced if, upon performing the cost analysis, a state agency that was to contract services finds that state employees are able to perform the services for less than any of the bids submitted by private contractors.

Explanation of State Revenues:

Explanation of Local Expenditures: The costs and savings described for state agencies above would also apply to the contracting of functions by local entities.

Explanation of Local Revenues:

State Agencies Affected: Department of Administration; other agencies that may contract for functions currently performed by governmental employees.

Local Agencies Affected: Entities seeking to contract for functions currently performed by governmental employees.

Information Sources:

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